Supreme Court, U.S.
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No.

IN THE

Supreme Court of the United States

THE DELTA WESTERN GROUP, LLC, PETITIONER

v.

RUTH U. FERTEL, INC.; RUTH'S CHRIS STEAK HOUSES

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE TENTH CIRCUIT

PETITION FOR WRIT OF CERTIORARI

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QUESTION PRESENTED FOR REVIEW

As a matter of public policy, does a stipulation concerning the entry of a preliminary injunction now require the Petitioner to abandon its defense of fraud and unclean hands, defenses the Petitioner was prohibited from raising below under the trheat of sanctions by the District Court if it did so?

Whether the Tenth Circuit Court of Appeals properly awarded sanctions against Petitioner for filing a "frivolous" appeal after it first ordered the Parties to file briefs but in awarding sanctions then relied on the Respondent's reasoning in its motion to strike the appeal?

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The reported opinion and judgment of the Court of Appeals for the Tenth Circuit in *Delta Western Group, LLC et al. v. Ruth's Chris Steakhouses et al.*, 2005 WL 1635338 (10th Cir. 2005), is attached hereto at App. 1a-15a.

The unreported opinion and decision of the Court of Appeals for the Tenth Circuit in *Delta Western Group, LLC et al. v. Ruth's Chris Steakhouses et al.*, denying the petitioner's petition for rehearing is attached hereto at App. 18a-34a.

The unreported permanent injunction entered in the District Court is attached hereto at App. 16a-17a .

JURISDICTION

The judgment of the court of appeals denying rehearing en banc was entered on July 13, 2005. The jurisdiction of this Court rests on 28 U.S.C. 1254(1).

STATUTORY PROVISIONS INVOLVED

The relevant provisions of Public Law 272, known as the "Agricultural Marketing Act of 1946", 7 U.S.C. Section 1622 (h)

STATEMENT

In the proceedings before the District Court, Respondent Ruth U. Fertel, Inc. and Ruth's Chris Steak Houses ("Respondents") sought an injunction barring Petitioner, ("Delta"), from using the word "U.S. Prime" in the name of its restaurant, U.S. Prime Steak House. The District Court granted Respondent's a

preliminary injunction and the Tenth Circuit affirmed that decision, holding that Respondents' purported "U.S. Prime" mark was entitled to protection. [Delta Western vs. Ruth's Chris Steak Houses, 24 Appx. 957 (10th Cir. 2001).

Respondents subsequently moved for a permanent injunction, which Delta opposed by submitting new evidence that was not available at the time of the preliminary injunction hearing. Based on an order of the District Court, however, counsel for Delta believed that a permanent injunction hearing had been canceled and was traveling on the day the hearing took place. After the District Court contacted him by telephone, counsel for Delta participated in the hearing without the benefit of any documents. In response to erroneous claims by the District Court that Delta had failed to provide any new evidence since the preliminary injunction hearing to support its defenses other than a new survey and after a threat of sanctions by the District Court, counsel for Delta stipulated that Delta would no longer use the words "U.S. Prime." As a result, the District Court issued a permanent injunction against Delta.

Following entry of the permanent injunction, Delta appealed on the grounds that its agreement not to use the trademark did not bar its defenses based on fraud and unclean hands and on the grounds that Respondents' trademark should be canceled. The Tenth Circuit panel utterly ignored the substantive basis of Delta's appeal and affirmed the judgment on the sole basis that Delta's stipulation disposed of all issues in the case(App. 5a). Moreover, the panel sanctioned Delta in the amount of $28,097.25, allegedly

the amount of Respondents' attorneys fees on appeal(App. 12a). This sanction amount determined by the 10th Circuit panel would have been substantially lower had the panel not ordered the parties to fully brief the case while there were pending motions and memorandums to strike the appeal that appear from the opinion to be the single reason for the finding by the Court that an appeal of a stipulation is *always* frivolous (37a-38a). Delta's Petition for Rehearing En Banc was denied on July 13, 2005(App. 18a).

SUMMARY OF ARGUMENT.

The Petitioner's claim is that the substance of Delta's appeal – in particular Delta's evidence of Respondent's fraudulent use of the purported trademark "U.S. Prime" – was ignored by the Court of Appeals finding that the parties' stipulation mooted the remaining substantive issues even though a reading of the stipulation to bar the Petitioner's claim is against Public Law 272, public policy and violates the United States Constitution and the separation of powers principles it embodies.

Additionally, this petition raises the question of whether sanctions on appeal are appropriate where there is a dispute regarding the scope of a stipulation reached as a result of the District Court Judge's erroneous rulings and coercion and where the Court of Appeals after receiving motions to strike the appeal ordered the Parties to fully brief the case.

REASONS FOR GRANTING THE PETITION

Delta Only Stipulated That It Would Not Use The Term "U.S. Prime" And It Did Not Knowingly Waive Its Defense Of Unclean Hands.

In the proceedings before the District Court, Respondents sought an injunction barring Delta from using the word "U.S. Prime" in the name of its restaurant, U.S. Prime Steak House. The District Court granted Respondents a preliminary injunction and the Tenth Circuit affirmed that decision, holding that Respondents' purported "U.S. Prime" mark was entitled to protection. See *Delta Western vs. Ruth's Chris Steak Houses*, 24 Appx. 957 (10th Cir. 2001).

Respondents subsequently moved for a permanent injunction, which Delta opposed by submitting new evidence that was not available at the time of the preliminary injunction hearing. Based on an order of the District Court, however, counsel for Delta believed that a permanent injunction hearing had been canceled and was traveling on the day the hearing took place. After the District Court contacted him by telephone, counsel for Delta participated in the hearing without the benefit of any documents. In response to erroneous claims by the District Court that Delta had failed to provide any new evidence since the preliminary injunction hearing to support its defenses other than a new survey and with a threat of sanctions by the District Court, counsel for Delta stipulated that Delta would no longer use the words "U.S. Prime." As a result, the District Court issued a permanent injunction against Delta.

Following entry of the permanent injunction, Delta appealed on the grounds that its agreement not to use the trademark did not bar its defenses based on fraud and unclean hands and on the grounds that Respondents' trademark should be canceled as a matter of law because it violates Public Law 272 and the Lanham Act. The Tenth Circuit panel utterly ignored the substantive basis of Delta's appeal and affirmed the judgment on the sole basis that Delta's stipulation disposed of *all* issues in the case. In its May 2, 2005 Order and Judgment, the Court of Appeals noted, "[b]ecause RUFI correctly argues that DWG waived its right to file the current appeal, we need not revisit the remaining substantive issues raised by DWG"(App. 5a).

Moreover, the panel sanctioned Delta in the amount of $28,097.25, allegedly the amount of Respondents' attorney's fees on appeal. This sanction amount determined by the Court of Appeals would have been substantially lower had the panel not ordered the parties to fully brief the case while there were pending motions and memorandums to strike the appeal. However, because the Court of Appeals' re-hearing opinion concludes that an appeal of a stipulation is *always* frivolous, the Court of Appeals did not need the parties' briefs to instruct it in the simple rule of law it articulated, i.e., that an appeal of a stipulation is *always* frivolous.

2. The Decision of The Tenth Circuit Violates the United States Constitution And The Separation of Powers Principles It Embodies.

Finally, there is a constitutional question that the Tenth Circuit panel ignored which should be

addressed by this Court, namely, whether the judiciary can eviscerate the meaning of Public Law 272 and substitute its judgment for that of Congress and deny the U.S. Department of Agriculture the sole authority to determine the grade of beef in the United States. The Order of July 13, 2005 from the 10th Circuit Court of Appeals amounts to the Court substituting its judgment for that of the United States Department of Agriculture and ignores the USDA's opinion letter dated January 3, 2001 (App. 35a-36a).

3. The District Court Coerced a Stipulation Which Enjoined Delta Only From Using the Term "U.S. Prime."

While appellate courts should honor stipulations regarding factual issues, *see Vallejos v. C.E. Glass Co.*, 583 F.2d 507, 510-11 (10th Cir. 1978), "[i]t is well-settled that a court is not bound by stipulations of the parties as to questions of law." *Koch v U.S. Dept. Of Interior*, 47 F.3d 1015, (10th Cir. 1995). Similarly, provisions within consent decrees fixing a stipulated penalty are unenforceable if they constitute unreasonable penalties or if they are void as a matter of public policy. *South Suburban Hous. Ctr. v. Berry*, 186 F.3d 851, 856 (7th Cir. 1999).

This is particularly the case where the District Court coerced the stipulation from Delta's counsel, who was only participating in the hearing telephonically without the benefit of any documents due to the District Court's own ambiguous scheduling order(App. 14a).

The disputed stipulation arose from the District Court's erroneous view that Delta had failed to present any new evidence and its resulting threat of sanctions

against Delta if it submitted the same evidence later that was then before the Court at the Permanent Injunction Hearing. The District Court coerced the stipulation by threatening sanctions involving Respondents' request for attorneys fees in excess of $100,000 based on its mistaken view of the evidence before it. The stipulation should therefore not serve to bar substantive review of Delta's appeal, particularly as it pertains to matters of law that were not subject to stipulation.

Delta only stipulated to refrain from using the mark "U.S. Prime" after the District Court ruled that Delta had failed to submit any new evidence that had not been presented at the preliminary injunction stage and threatened Delta with sanctions for repeating its prior arguments. The District Court's ruling that Delta did not present any new evidence at the permanent injunction hearing is demonstrably false. Delta's "new" evidence submitted at the permanent injunction hearing included a new document that was a USDA opinion letter written *after* the preliminary injunction hearing; meat invoices introduced as evidence demonstrating that Respondents were committing fraud by labeling USDA choice steaks "U.S. Prime" in violation of Public Law 272; Respondents' false advertisements in Delta Airlines Sky Magazine of tenderloin filets stated as being USDA Prime when they are not; additional evidence of a new trademark that uses the term "U.S. Prime" that was registered by a third party after the registration of the disputed mark; and other documents demonstrating massive fraud resulting from Respondents' misleading use of its purported mark "U.S. Prime."

The District Court and the Tenth Circuit panel's summary dismissal of Delta's unclean hands defense

based on the stipulation is wrong because it amounts to an order granting Respondents the "green light" to commit fraud against the American public by labeling its products with an invalid trademark – "U.S. Prime" – labeling which deceives the American public into believing that it is buying USDA Prime steaks when it is not. Stipulation or no stipulation, the Court of Appeals' decision to permit Respondents to continue marketing its steaks using the "U.S. Prime" moniker, in light of all of the evidence before the Court that such designation is fraudulent, ignores the Court of Appeals' duty to preserve the integrity of the USDA meat grading system and furthers Respondents' fraudulent conduct. The order also fails to take into account the deliberate misrepresentations of Ruth's Chris' counsel that there was no new evidence prior to the issuance of the permanent injunction other than a new survey.

4. The Award of Attorney's Fees for Filing a Frivolous Appeal is in Error.

As stated above, the Court of Appeals ordered Delta to pay Respondents' counsel over $28,000 in sanctions. This award is manifestly inappropriate in light of the facts of this case, because Delta's appeal was not frivolous and because Respondents had committed fraud coming into the Court seeking relief when its hands were demonstrably unclean.

To begin with, Delta's arguments regarding the scope of the stipulation are valid. Participating in the permanent injunction hearing by telephone, counsel for Delta only stipulated that it would not use the mark "U.S. Prime." It did *not* relinquish its defenses based on fraud and the doctrine of unclean hands and at no time believed it had waived its substantive challenges